

Document made available under the Patent Cooperation Treaty (PCT)

International application number: PCT/AU05/001274

International filing date: 24 August 2005 (24.08.2005)

Document type: Certified copy of priority document

Document details: Country/Office: AU
Number: 2004904830
Filing date: 24 August 2004 (24.08.2004)

Date of receipt at the International Bureau: 13 September 2005 (13.09.2005)

Remark: Priority document submitted or transmitted to the International Bureau in compliance with Rule 17.1(a) or (b)



World Intellectual Property Organization (WIPO) - Geneva, Switzerland
Organisation Mondiale de la Propriété Intellectuelle (OMPI) - Genève, Suisse

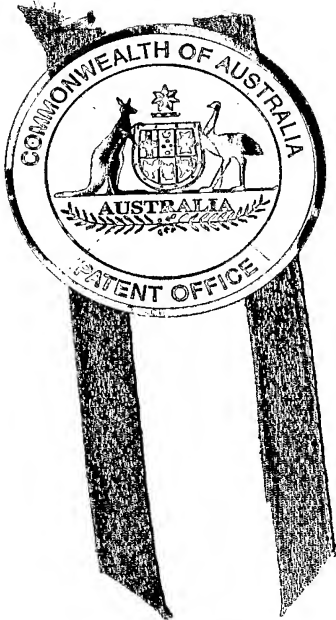


PCT/AU2005/001274

Australian Government

Patent Office
Canberra

I, LEANNE MYNOTT, MANAGER EXAMINATION SUPPORT AND SALES hereby certify that annexed is a true copy of the Provisional specification in connection with Application No. 2004904830 for a patent by HOME-RETIRE PTY LTD as filed on 24 August 2004.



WITNESS my hand this
Seventh day of September 2005

A handwritten signature in ink, appearing to be 'L. Mynott'.

LEANNE MYNOTT
MANAGER EXAMINATION SUPPORT
AND SALES

AUSTRALIA

Patents Act 1990

PROVISIONAL SPECIFICATION FOR THE INVENTION ENTITLED:

A life expectancy retirement annuity arrangement

Name and Address of Applicant:

Home-Retire Pty Ltd,
an Australian company (A.C.N. 108 005 509), of 1/92 Muston Street, Mosman,
New South Wales, 2088, Australia

Name of Inventor:

Ian Innes

This invention is best described in the following statement:

A LIFE EXPECTANCY RETIREMENT ANNUITY ARRANGEMENT

Field of the Invention

The present invention relates generally to retirement benefit arrangements and, in particular, to benefits that are secured by the equity in a retiree's wholly or partially owned
5 home.

Background

People who approach or reach retirement age often have invested, through the course of their working lives, in their home. Such people thus often have fully or largely paid up homes when they reach retirement, but may have insufficient income upon which
10 to live. Financial products such as reverse mortgages are available, enabling the retiree to "convert" some of the value of their home into income. However, such existing products can be expensive and inconvenient.

Fig. 1 illustrates one prior art arrangement 100 for providing retirement benefits based on a reverse mortgage. A retiree 101 has a home 102 that has either been wholly or
15 partially paid up during his or her working life. The retiree 101 makes a request 104 to a bank 103, or other financial institution, in order to obtain retirement benefits based on the collateral (ie., security) provided by the retiree's home 102. The bank 103 takes security 105 based on the retiree's equity in the house 102 in order to provide the retirement benefits in the form of a reverse mortgage. An agreement (not shown) is reached between
20 the retiree 101 and the bank 103 setting out the relevant conditions of the reverse mortgage.

The bank 103 approves the loan as depicted by an arrow 106 and, for illustrative purposes, places funds to support the requested retirement benefits in a loan account 107. Regular payments 108 are made to the retiree 101 from the loan account 107.

Accumulating interest charges that are calculated on a compound basis are accumulated, as depicted by an arrow 109, in an illustrative interest account 110.

The regular payments 108 are provided to the retiree 101 for the number of years set out in the agreement between the retiree 101 and the bank 103. Throughout the term
5 of this arrangement interest accumulates per 109 on a compound basis. At the end of the agreed term, the retiree 101 repays, as depicted by an arrow 111, the loan including capital and the accrued interest from 110.

Fig. 2 is a spread-sheet of cash flows for the arrangement of Fig. 1. The spreadsheet is based on the following assumptions:

- 10 • the equity in the home 102 in Fig. 1 is \$1,000,000.00 (see B2 in the spreadsheet)
- the amount of the loan requested by the retiree is \$450,000.00 (see B3);
- the compound interest charged by the bank 103 is 8.95% (see B4).
- the term of the loan is 15 years (see B5);
- 15 • the annual payment 108 provided by the bank 103 to the retiree 101 is \$30,000.00 (see B6).

Considering year 1 (see A9) a payment (ie a retirement benefit) of \$30,000.00 (ie., B9) is provided, as depicted by the arrow 108 in Fig. 1, to the retiree 101 by the bank 103. Accordingly, the capital owed by the retiree 101 to the bank 103 (ie., C9) is
20 \$30,000.00. The interest owed on the aforementioned payment, based upon the interest rate of 8.95% (ie., B4) is \$2,685.00 (ie., D9). Accordingly, at the end of the first year the total amount owed by the retiree 101 to the bank 103 is \$32,685.00 (ie., E9) this being made up of the capital owed (ie., C9) plus the interest accrued (ie., D9).

At the beginning of year 2 (ie., A10) an amount of \$30,000.00 (ie., B10) is again
25 provided, as depicted by the arrow 108, to the retiree 101 by the bank 103. For

illustration in the present description it is assumed that payments are made regularly from the bank 103 to the retiree 101 on an annual basis. Clearly, however, payments can be made on a monthly or any other reasonable basis without changing the nature of the disclosed method. At the end of year 2 the retiree 101 owes capital of \$60,000.00 (ie., C10) and interest of \$5,610.31 (ie., D10). The interest owed at the end of the second year (ie., D10) is derived by applying the rate of 8.95% (ie., B4) to the total of (a) the payment 108 that was made to the retiree 101 in year 2 (ie., B10) plus (b) the total owed at the end of year 1 (ie., E9). Accordingly, the total amount owed by the retiree 101 at the end of year 2 is \$68,295.31 (ie., E10).

10 At the beginning of year 15 (ie., A23) a payment of \$30,000.00 (ie. B23) is made to the retiree 101 by the bank 103. This brings the total capital owed by the retiree 101 to the bank 103 to \$450,000.00 (ie., C23). The interest owed for year 15 is \$78,524.99 (ie., D23) which is determined by applying the interest rate of 8.95% (ie., B4) to the total of (a) the payment for year 15 (ie., B23) plus (b) the total amount owed at the end of year 14 (ie., E22). Therefore, the total amount owed by the retiree at the end of year 15 is 15 \$955,899.24 (ie. E23). This constitutes the amount owed by the retiree 101 to the bank 103 at the end of the 15 year arrangement described in relation to Fig. 1.

In summary, the reverse mortgage arrangement described in relation to Figs. 1 and 3 provides the retiree with an annual retirement benefit of \$30,000.00 for a term of 15 years, after which the retiree owes the bank 103 an amount of \$955,899.24 (ie. E23). 20 Since the starting equity in the retirees home 102 was \$1,000,000.00 (ie (B2) in Fig. 2), this arrangement leaves the retiree with \$44,100.76 after paying back the loan to the bank 103.

Summary

It is an object of the present invention to substantially overcome, or at least ameliorate, one or more disadvantages of existing arrangements. The arrangements disclosed in the specification that ameliorate one or more disadvantages of existing arrangements is referred to as the "retirement annuity" arrangement.

According to a first aspect of the present invention, there is provided a method of generating, for a retiree, periodic payments secured by equity in the retiree's home, the method comprising the steps of:

- (a) obtaining, by a service provider from a financier, a loan having a principal value for a defined term, wherein the loan is secured by the equity in the retiree's home;
- (b) periodically paying, by the service provider to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;
- (c) paying, by the service provider to the retiree, the periodic payments;
- (d) charging the retiree by the service provider, in regard to each said periodic payment, a simple interest charge comprising a charge equal to a second fixed proportion of said each said periodic payment;
- (e) investing, by the service provider, a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the simple interest payments made by the service provider to the financier in the step (b) and the periodic payments made by the service provider to the retiree in the step (c) and the simple interest charges paid by the retiree to the service provider in the step (d); and
- (f) repaying, by the retiree to the financier at the end of the term, the principal of the loan.

According to another aspect of the present invention, there is provided a method of generating, for a person, periodic payments secured by equity in property of the person, the method comprising the steps of:

(a) obtaining, from a first provider, a loan having a principal value for a defined
5 term wherein the loan is secured by the equity;

(b) periodically paying, to the first provider over the term, an interest payment equal to a first fixed proportion of said principal value;

(c) paying, to the person, the periodic payments;

(d) charging the person, in regard to each said periodic payment, a charge equal
10 to a second fixed proportion of said each said periodic payment;

(e) investing a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the amounts paid in the steps (b) and (c) and the amount received in the step (d); and

(f) repaying, to the first provider at the end of the term, the principal of the loan.

15 According to another aspect of the present invention, there is provided a system for generating, for a retiree, periodic payments secured by equity in the retiree's home, the system comprising:

(a) means for obtaining, by a service provider from a financier, a loan having a principal value for a defined term, wherein the loan is secured by the equity in the
20 retiree's home;

(b) means for periodically paying, by the service provider to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;

(c) means for paying, by the service provider to the retiree, the periodic
25 payments;

(d) means for charging the retiree by the service provider, in regard to each said periodic payment, a simple interest charge comprising a charge equal to a second fixed proportion of said each said periodic payment;

(e) means by which the service provider invests a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the simple interest payments to the financier in the step (b) and the periodic payments to the retiree in the step (c) and the simple interest charges paid by the retiree in the step (d); and

(f) means for repaying, by the retiree to the financier at the end of the term, the principal of the loan.

According to another aspect of the present invention, there is provided a computer program product having a computer readable medium having at least one computer program module recorded therein for directing at least one processor to implement a method of generating, for a retiree, periodic payments secured by equity in the retiree's home, the at least one program module comprising:

(a) code for obtaining, by a service provider from a financier, a loan having a principal value for a defined term, wherein the loan is secured by the equity in the retiree's home;

(b) code for periodically paying, by the service provider to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;

(c) code for paying, by the service provider to the retiree, the periodic payments;

(d) code for charging the retiree by the service provider, in regard to each said periodic payment, a simple interest charge comprising a charge equal to a second fixed proportion of said each said periodic payment;

(e) code for investing a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the simple interest payments to the financier in the step (b) and the periodic payments to the retiree in the step (c) and the simple interest charges paid by the retiree in the step (d); and

(f) code for repaying, by the retiree to the financier at the end of the term, the principal of the loan.

Other aspects of the invention are also disclosed.

Brief Description of the Drawings

Some aspects of the prior art and one or more embodiments of the present invention will now be described with reference to the drawings and appendices, in which:

Fig. 1 illustrates one prior art arrangement for providing retirement benefits based on a reverse mortgage;

Fig. 2 is a spread-sheet of cash flows for the prior art arrangement of **Fig. 1**;

Fig. 3 illustrates one example of the disclosed retirement annuity arrangement;

Fig. 4 shows a process flow for a business model by which the system of **Fig. 3** may be used;

Fig. 5 is a spread-sheet of cash flows for the arrangement of **Fig. 3**; and

Fig. 6 is a schematic block diagram of an interconnected computer system upon which described methods for providing the disclosed retirement annuity can be practiced.

Detailed Description including Best Mode

It is to be noted that the discussions contained in the "Background" section and that above relating to prior art arrangements relate to discussions of arrangements which form public knowledge through their use. Such should not be interpreted as a

representation by the present inventor or patent applicant that such arrangements in any way form part of the common general knowledge in the art.

Where reference is made in any one or more of the accompanying drawings to steps and/or features, which have the same reference numerals, those steps and/or features have for the purposes of this description the same function(s) or operation(s), unless the contrary intention appears.

Fig. 3 illustrates one example of the disclosed retirement annuity arrangement. In this arrangement 200 a retiree 201 has, similar to the situation described in relation to Fig. 1, a fully or partially paid up home 202. The retiree 201 makes a request as depicted by an arrow 207 to a service provider 204. The service provider 204 arranges, as depicted by an arrow 208, for a loan to be provided at a wholesale interest rate from a financier 203, or from some other wholesale money provider. The financier 203 takes, as depicted by a dashed arrow 209, security on the basis of the equity in the home 202. Thereafter, the financier 203 provides, as depicted by an arrow 210, the loan funds to the service provider 204.

The service provider 204 invests, as depicted by an arrow 211, the loan in investment vehicles 205 that yield a market-based rate of return. The total of the funds invested in the investment vehicles 205 at any time, together with any working capital held by the service provider, substantially constitutes the "Life Expectancy Retirement Annuity Fund". The service provider 204 draws, as depicted by an arrow 212, funds to be distributed (per 213) to the retiree 201 as well as a profit that the service provider 204 takes (per 214) in respect of services provided. In regard to the profit, an alternative arrangement is for the service provider 204 to derive the profit directly from an administration or other charge paid by the retiree at 215. The service provider 204 provides, as depicted by an arrow 213, regular payments to the retiree 201. The service

provider 204 also extracts, as depicted by an arrow 214, the aforementioned profit which is accumulated, for the sake of illustration, in an account 206.

On a periodic basis, the service provider 204 also pays, as depicted by an arrow 216, simple interest to the financier 203 on the total amount of the loan that was provided at 210. The retiree 201 also pays, as depicted by an arrow 215, simple interest on each payment 213 that he or she receives from the service provider 204. This simple interest payment is deducted from the payment to the retiree. This interest payment is simple interest on each payment made, and is not interest on the total amount of the loan provided at 210. Furthermore, the retiree 210 can also pay an administration or other fee, as part of 215, on each payment provided at 213.

The aforementioned process proceeds for the duration of the term originally agreed on between the retiree 201 and the service provider 204. At the end of the aforementioned period, the retiree 201 repays, as depicted by an arrow 217, the capital of the loan to the financier 203, this being the same amount as provided by the financier 203 at 210 at the outset of the aforementioned arrangement. The retiree is not liable for any interest to the financier 203 as the service provider 204 has paid this interest per 216. The repayment 217 of the loan is typically effected through the service provider 204, who receives the money from the retiree 201 and passes it on to the financier 203.

Fig. 4 shows a process flow 500 for a business model by which the system of Fig. 3 may be used. The process 500 commences with a start step 501 after which, in a following step 502, the retiree 201 (see Fig. 3) logs in, using his Personal Computer (PC) (601 in Fig. 6), to the web site of the Service Provider 204 over the communications network (620 in Fig. 6) and reviews the retirement annuity product details. In a following step 503 the retiree 201 fills in his or her personal details on a software application form displayed by the web site of the service provider 204. This application form includes

details such as loan required (up to 45% of the value of the equity owned by the retiree in their home can be approved), home details, personal information, spouse or de-facto spouse details, and beneficiary under the will. The retiree 201 then gives the appropriate commands via the user interface of the user's PC to formally make the request (depicted by the arrow 207 in Fig. 3) to join the life expectancy retirement annuity fund. This request is communicated, together with the retiree's personal details, to the computer (622 in Fig. 6) of the service provider 204.

In a following step 504, the service provider 204 reviews the current performance statistics of the life expectancy retirement annuity fund, in order to decide how to select the parameters of the loan to be provided to the retiree. The parameters being referred to relate not to the amount of the regular payments (depicted by 213 in Fig. 3), since the amount of the regular payments 213 are set primarily by the terms of the agreement made between the retiree 201 and the service provider 204. Rather, the parameters of the loan to be provided to the retiree relate to the risk profile to be used when investing the residual of the loan at 211. The step 504 thus reviews the current performance of the life expectancy retirement annuity fund, based upon actuarial analysis of the fund, in order to determine if the fund is presently (a) not meeting, (b) meeting, or (c) exceeding the pre-determined performance parameters.

A following step 505 identifies the attributes of the investment vehicle to be used for investing the residual value of the proposed based upon the historic fund performance parameters determined in the step 504. The step 505 is shown in bold outline in Fig. 4 in order to indicate that analysis of fund parameters are being performed. If the life expectancy retirement annuity fund is presently meeting its pre-defined earnings targets, then the service provider will provide the "new" retiree with a loan whose residual value is to be invested (depicted by 211 in Fig. 3) in an investment vehicle having the same risk

level, and thus the same likely return level, as the previous investment vehicle selected for the previous new fund member. This selection is made in order to ensure that the life expectancy retirement annuity fund continues to remain on track, thus meeting it's pre-defined target performance metrics.

5 In contrast, if the life expectancy retirement annuity fund is presently not meeting it's pre-defined earnings targets, then the service provider will provide the new retiree with a loan whose residual value is to be invested at 211 in an investment vehicle having a higher risk level, and thus a higher likely return level, that the investment vehicles used for the previous fund applicant. This selection is made in order to ensure
10 that the life expectancy retirement annuity fund improves it's performance, thus moving towards meeting it's pre-defined target performance metrics.

 If the life expectancy retirement annuity fund is presently exceeding it's pre-defined earnings targets, then the service provider will provide the new retiree with a loan whose residual value is to be invested at 211 in an investment vehicle having a lower risk
15 level, and thus a lower likely return level, than the investment vehicle used for the previous fund applicant. This selection is made in order to ensure that the life expectancy retirement annuity fund reduces it's performance, and it's associated risk, thus moving towards meeting it's pre-defined target performance metrics.

 A following step 506 sends, over the communications network 620 to the PC 601
20 of the retiree 201, an electronic agreement for joining the fund. In a following step 508 the retiree executes the agreement, using appropriate security mechanisms, and sends the executed agreement to the PC (622) of the service provider 204 over the network 620. In a subsequent step 509, the service provider 204 arranges, electronically over the network 620, with the retiree 201 and a suitable financier 203, to execute the necessary electronic

documents required to transfer (depicted as 209 in **Fig. 3**) the necessary security over the appropriate equity in the retiree's home 202 to a PC (626) of the financier 203.

The financier then, in a following step 510, transfers (per 210 in **Fig. 3**) the relevant loan funds to the service provider. In a following step 511, the service provider makes the periodic payment to the retiree, this possibly being via electronic payment over the network 620, after adding any reward or bonus points which may be appropriate, and deducting any fees and charges which may be appropriate. It is noted that the periodic payment made to the retiree may, in one arrangement, be fixed and independent of the performance of the retirement annuity fund as a whole. In an alternate arrangement, the periodic payment may be dependent, at least to some degree, upon the fund performance. The step 511 is shown in bold outline to indicate that actuarial calculations may be performed upon the fund in order to determine the amount of the periodic payment, and the amount of any reward or bonus points, to be paid to the retiree. The step 511 also applies the fees and charges as appropriate, and invests (per 211 in **Fig. 3**) the residual of the loan in an investment vehicle according to the risk profile determined in the step 505. In the step 511 the service provider can also draw the necessary funds from the life expectancy retirement annuity fund to pay (per 216 in **Fig. 3**) the simple interest payments to the financier 203. Alternately, the simple interest payments to the financier 203 can be paid on a periodic basis not directly coupled to the periodic payments made (per 213 in **Fig. 3**) to the retiree.

A following test step 512 determines if the term of the loan has expired. If this is the case, then the process 500 is directed by a YES arrow to a step 513 in which the retiree 201 repays (per 217 in **Fig. 3**) the principal of the loan back to the financier 203. The process then terminates with a STOP step 514. Returning to the decision step 512, if

the term of the loan has not yet expired, then the process 500 is directed according to a NO arrow back to the step 511.

Fig. 5 is a spread-sheet of cash flows for the arrangement of Fig. 3. The spreadsheet is based on the following assumptions:

- 5 • the equity in the home 202 in Fig. 3 is \$1,000,000.00 (see B2 in the spreadsheet in Fig. 5);
- the amount of the loan provided by the financier 203 as requested by the retiree is \$450,000.00 (see B3);
- the simple interest paid at 216 by the service provider 204 to the
10 financier 203 is 4.67% (see B4).
- the simple interest on each payment paid by the retiree 201 to the service provider 204 at 215 is 8.95% (ie. B5);
- the interest (ie., the yield) on the investment funds provided at 211 from the service provider 204 to investment vehicles 205 is 8.95% (ie. B6);
- 15 • the administration charge (or other charge) paid by the retiree 201 at 215 to the service provider 204 in respect of, and deducted from, each regular payment at 213 is 0.20% (ie., B7); and
- the term of the loan arrangement described in the present example is 15 years (ie. B8).

20 Turning to the table comprising the columns A-H and the rows 11-25 of the spreadsheet, Column A depicts the year being considered, column B depicts the annual (ie the periodic) payment made by the service provider 204 to the retiree 201, and column C depicts the periodic (interest) payment made at 215 by the retiree to the service provider 204. Column D depicts the periodic (administration fee or other) payment made at 215

by the retiree to the service provider 204, and column E depicts the net amount left in the hands of the retiree 201 after the retiree has received the payment in column B and paid the charges in the columns C and D. Column F depicts the periodic payment made by the service provider 206 to the financier 203, and column G depicts the funds available to the service provider 204 for investment in the investment vehicles 205. Column H depicts the return provided by the investment vehicles 205 on the amount invested (see Column G) each period.

Considering year 1 (ie., A11) a payment of \$32,987.00 (ie. B11) is made at 213 from the service provider 204 to the retiree 201. The retiree pays simple interest of \$2,952.34 (ie C11) to the service provider 204 at 215, this being simple interest levied on the payment made (ie., B11) at 8.95% (ie., B5). In addition, the retiree 201 pays at 215 an administration fee of \$65.97 (ie., D11) this being a charge at 0.20% (ie. B7) levied on the payment made at B11. Accordingly, the net periodic payment in the hand of the retiree 201 after receiving the payment 213 and paying the simple interest and the administration fee 215 is \$29,968.69 (ie., E11).

Clearly the various dollar amounts and interest rates can be changed without impacting on the inventive concept, however the numbers have been selected to ensure that the payment in the hands of the retirees 101 and 201 respectively are close enough for a meaningful comparison to be made between the arrangements shown in Figs. 1 and 2 respectively. It is noted that in regard to Fig. 1 the payment in hand received by the retiree 101 is \$30,000.00 per time period, (eg., B9 in Fig. 2) and the payment received in hand by the retiree 201 in Fig. 3 is approximately the same, this being \$29,968.69 (eg., E11 in Fig. 5).

The periodic simple interest paid by the service provider 204 to the financier 203 at 216 is \$21,015.00 (ie F11). This derives from applying the simple interest rate of 4.67% (ie., B4) to the total loan amount of \$450,000.00 (ie., B3).

The amount of money available to the service provider for investment, as depicted by 211, in the investment vehicles 205 is \$398,950.34 (ie., G11). This amount is equal to the total loan amount of \$450,000.00 (ie., B3) less the payment for year 1 of \$32,950.34 (ie., B11) that was made at 213 to the retiree 201, plus the interest payment at 215 paid by the retiree to the service provide 204 (ie., C11) minus the interest payment at 216 paid by the service provider 204 to the financier 203 (ie., F11). The annual yield provided by the investment vehicles 205 is \$35,706.06 (ie., H11) which is the rate of 8.95% (ie., B6) acting in a compound manner on the invested funds (ie. G11).

At the beginning of year 2 (ie., A12) the service provider makes the regular payment 213 to the retiree 201 to the amount of \$32,987.00 (ie., B12). The retiree 201 pays, at 215, the simple interest of 8.95% (ie., B5) on the aforementioned payment at B12. The retiree 201 similarly pays the periodic administration charge of \$65.97 (ie., D12) which derives from the simple interest of 0.20% (ie., B7) applied to the payment of \$32,987.00 (ie., B12). The retiree 201 thus has \$29,968.69 (ie. E12) in hand, as was the case in year 1 (ie., E11).

The service provider 204 pays the simple interest charge of \$21,015.00 at 216 (ie F12) to the financier 203, this deriving from the simple interest of 4.67% (ie. B4) applied to the entire loan value of \$450,000.00 (ie., B3). The funds available to the service provider for investing at 211 in the investment vehicles 205 during year 2 amount to \$383,606.73 (ie G12). This figure is made up of the amount available during year 1 namely \$398,950.34 (ie. G11) plus the earnings from the investment vehicles 205 of \$35,706.06 (ie., H11) less the periodic payment of \$32,987.00 at 213 to the retiree 201

(ie., B12) plus the interest paid by the retiree 201 of \$2,952.34 (ie., C12) less the simple interest charges paid by the service provider 204 at 216 to the financier 203. In summary, therefore, the service provider draws, at 212, an amount of \$51,049.67. This reflects the difference between the \$398,950.34 invested in the investment vehicles 205 in year 1 (ie., G11) plus the earnings from the investment vehicles 205 of \$35,706.06 (ie., H11) minus the amount of funds available for investment in the investment vehicles 205 in year 2, this amount being \$383,606.73 (ie., G12).

At the beginning of year 15 (ie., A25) the regular payment 213 is made to the retiree 201 (ie., B25), and the retiree 201 pays the simple interest charge at 215 to the service provider 204 (ie., C25). The retiree 201 also makes the periodic administration payment at D25 to the service provider 204, thus having the amount of \$29,968.69 in hand at E25. The service provider 204 makes the final interest payment of \$21,015.00 (ie., F25) at 216 to the financier 203, leaving only \$1,159.96 at G25 for investment in the investment vehicles 205. This situation constitutes the end of the particular agreement between the retiree 201 and the service provider 204. Accordingly, the retiree 201 pays back the principal of the loan ie., \$450,000.00 (ie., B3), as depicted by 217, to the financier 203.

In the present example, the profit at 214 for the service provider 204 derives purely from the annual administration payments at 215 from the retiree 201 (ie., D11-D25). According to another example, the profit 214 can be derived from the funds drawn at 212.

In summary, the disclosed retirement annuity arrangement described in relation to Figs. 3 and 5 provides the retiree with an annual retirement annuity of \$29,968.69 for a term of 15 years, after which the retiree owes the bank 103 an amount of \$450,000.00 (ie. the capital of the original loan at B3). It is noted, however, that the retiree has, during the

term of the retirement annuity arrangement, paid out an amount of \$44,285.05 in simple interest charges at 215 in Fig. 3, plus an amount of \$989.61 in administration (or other) charges at 215 in Fig. 3. Accordingly, the total amount paid out by the retiree by the end of the relevant term is \$495,274.66 (see C3). Since the starting equity in the retirees home 202 was \$1,000,000.00 (ie (B2) in Fig. 5, this retirement annuity arrangement leaves the retiree with \$504,725.34 after paying back the loan to the financier 203. The service provider derives their profit from one or more elements. One such element is the investment (per 211 in Fig. 3) of the initial loan. Other profit elements include the administration and other charges received from the retiree (per 215 in Fig. 3).

10 The retiree can be made responsible for payment of the approved valuers fees (in consideration for obtaining a valuation of their home 202 prior to obtaining the loan from the financier 203), mortgage costs associated with the obtaining the loan from the financier 203, stamp duty and mortgage insurance.

Fig. 6 is a general-purpose computer system 600, wherein the processes of
15 Figs. 3-4 may be implemented as software, such as one or more application program modules executing within the computer system 600. In particular, the steps of generating periodic payments for a retiree are effected by instructions in the software modules that are carried out by the computers in the computer system 600. The instructions may be formed as one or more code modules, each for performing one or more particular tasks.
20 Each software module may also be divided into two separate parts, in which a first part performs the generating periodic payments for a retiree methods and a second part manages a user interface between the first part and the user. The software modules may be stored in computer readable media, including the storage devices described below, for example. The software modules are loaded into the computers from the computer
25 readable media, and then executed by the computers. A computer readable medium

having such software or computer program recorded on it is a computer program product. The use of the computer program products in the computers preferably effects an advantageous apparatus for generating periodic payments for a retiree .

The computer system 500 is formed by the retiree computer module 601, the
5 service provider computer module 622, and the financier computer module 626. The following description relates to the retiree computer module 601, however the description applies equally, with relevant modifications, to the service provider computer module 622, and the financier computer module 626.

The retiree computer module 601 also comprises input devices such as a
10 keyboard 602 and mouse 603, output devices including a printer 615, a display device 614 and loudspeakers 617. A Modulator-Demodulator (Modem) transceiver device 616 is used by the computer module 601 for communicating to and from a communications network 620, for example connectable via a telephone line 621 or other functional medium. The modem 616 can be used to obtain access to the Internet, and
15 other network systems, such as a Local Area Network (LAN) or a Wide Area Network (WAN), and may be incorporated into the computer module 601 in some implementations.

The retiree computer module 601 typically includes at least one processor unit 605, and a memory unit 606, for example formed from semiconductor random access
20 memory (RAM) and read only memory (ROM). The service provider computer module 622 typically includes at least one processor unit 623, and a memory unit 624, for example formed from semiconductor random access memory (RAM) and read only memory (ROM). The financier computer module 626 typically includes at least one processor unit 627, and a memory unit 628, for example formed from semiconductor
25 random access memory (RAM) and read only memory (ROM).

The module 501 also includes an number of input/output (I/O) interfaces including an audio-video interface 607 that couples to the video display 614 and loudspeakers 617, an I/O interface 613 for the keyboard 602 and mouse 603 and optionally a joystick (not illustrated), and an interface 608 for the modem 616 and printer 615. In some implementations, the modem 616 may be incorporated within the computer module 601, for example within the interface 608. A storage device 609 is provided and typically includes a hard disk drive 610 and a floppy disk drive 611. A magnetic tape drive (not illustrated) may also be used. A CD-ROM drive 612 is typically provided as a non-volatile source of data. The components 605 to 613 of the computer module 601, typically communicate via an interconnected bus 604 and in a manner which results in a conventional mode of operation of the computer system 600 known to those in the relevant art. Examples of computers on which the described arrangements can be practised include IBM-PC's and compatibles, Sun Sparcstations or alike computer systems evolved therefrom.

Typically, the application program modules for the retiree computer module 601 is resident on the hard disk drive 610 and read and controlled in its execution by the processor 605. Intermediate storage of the program modules and any data fetched from the network 620 may be accomplished using the semiconductor memory 606, possibly in concert with the hard disk drive 610. In some instances, the application program modules may be supplied to the retiree encoded on a CD-ROM or floppy disk and read via the corresponding drive 612 or 611, or alternatively may be read by the retiree computer module 601 from the network 620 via the modem device 616. Still further, the software can also be loaded into the computer system 600 from other computer readable media. The term "computer readable medium" as used herein refers to any storage or transmission medium that participates in providing instructions and/or data to the

computer system 600 for execution and/or processing. Examples of storage media include floppy disks, magnetic tape, CD-ROM, a hard disk drive, a ROM or integrated circuit, a magneto-optical disk, or a computer readable card such as a PCMCIA card and the like, whether or not such devices are internal or external of the computer modules 601, 622 and 626. Examples of transmission media include radio or infra-red transmission channels as well as a network connection to another computer or networked device, and the Internet or Intranets including e-mail transmissions and information recorded on Websites and the like.

Industrial Applicability

It is apparent from the above that the arrangements described are applicable to the financial investment and planning industries.

The foregoing describes only some embodiments of the present invention, and modifications and/or changes can be made thereto without departing from the scope and spirit of the invention, the embodiments being illustrative and not restrictive.

Thus, in some arrangements, the disclosed arrangements can qualify as a Life Expectancy income stream retirement product under Social Security Rules, thus being eligible for inclusion in long term assets test exempt category. The disclosed retirement annuity arrangement can thus be arranged to be "complying" under the Social Security Rules, and thus be exempt from asset tests (and, in some cases income tax). The disclosed financial product can also be arranged to be non-commutable but reversionary, so that in the event of the retirees death, 100% of the payments continue for the loan term to be payable to the spouse or de-facto spouse or beneficiary named in a Will. Other benefits can be bundled with the disclosed retirement annuity financial product. Free or low cost accident insurance can be offered to the retiree as part of the package, with the service provider absorbing some or all costs of such cover. The service provider can

arrange for self-insurance to ensure that the repayment of the loan to the financier at the end of the loan is ensured against unforeseen significant falls in the property market.

AUSTRALIA ONLY

In the context of this specification, the word "comprising" means "including
5 principally but not necessarily solely" or "having" or "including", and not "consisting
only of". Variations of the word "comprising", such as "comprise" and "comprises" have
correspondingly varied meanings.

The claims defining the invention are as follows:

1. A method of generating, for a person, periodic payments secured by equity in property of the person, the method comprising the steps of:
 - 5 (a) obtaining, from a first provider, a loan having a principal value for a defined term, wherein the loan is secured by the equity;
 - (b) periodically paying, to the first provider over the term, an interest payment equal to a first fixed proportion of said principal value;
 - (c) paying, to the person, the periodic payments;
 - 10 (d) charging the person, in regard to each said periodic payment, a charge equal to a second fixed proportion of said each said periodic payment;
 - (e) investing a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the amounts paid in the steps (b) and (c) and the amount received in the step (d); and
 - 15 (f) repaying, to the first provider at the end of the term, the principal of the loan.
2. A method according to claim 1, wherein the residual of the loan invested in the investment vehicle at any time during the term of the loan is equal to the principal of the loan less (i) the accumulated payments made in the steps (b) and (c) from the time the
20 loan was obtained until said any time being considered, plus (ii) the accumulated charges received in the step (d) from the time the loan was obtained until said any time being considered.
3. A method according to claim 1, wherein the steps (a) – (e) are performed by a
25 second provider and the step (e) is performed by the person.

4. A method according to claim 3, wherein the amounts paid in the steps (b) and (c) are drawn from the residual of the loan and the amount received in the step (d) is paid into the residual of the loan.

5

5. A method according to claim 3, wherein:

the loan is less than or equal to 45% of the equity in the property of the person;

the first fixed proportion is in a range of 4.0% and 5.5%;

the second fixed proportion is in a range of 7.5% and 12.0%; and

10 the compound rate of return is in a range of 7.5% and 12.0% of the residual of the loan that is invested in the investment vehicle.

6. A method according to claim 3, comprising the further step of:

15 (g) charging the person, in regard to each said periodic payment, a charge equal to a third fixed proportion of said each said periodic payment;

7. A method according to claim 6, wherein the third fixed proportion is in a range of 0.05% and 0.25%.

20 8. A method according to claim 6 wherein the profit derived by the second provider comprises the charge levied in the step (g).

9. A method according to claim 3 wherein the profit derived by the second provider is drawn from the residual of the loan.

25

10. A method according to claim 1, wherein the person is one of a natural person and a legal entity.

11. A method according to claim 1, wherein the person is a retiree and the property
5 of the retiree is the home of the retiree.

12. A method of generating, for a retiree, periodic payments secured by equity in the retiree's home, the method comprising the steps of:

(a) obtaining, from a financier, a loan having a principal value for a defined term,
10 wherein the loan is secured by the equity in the retiree's home;

(b) periodically paying, to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;

(c) paying, to the retiree, the periodic payments;

(d) charging the retiree, in regard to each said periodic payment, a simple interest
15 charge comprising a charge equal to a second fixed proportion of said each said periodic payment;

(e) investing a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the simple interest payments to the financier in the step (b) and the periodic
20 payments to the retiree in the step (c) and the simple interest charges paid by the retiree in the step (d); and

(f) repaying, by the retiree to the financier at the end of the term, the principal of the loan.

13. A method of generating, for a retiree, periodic payments secured by equity in the retiree's home, the method comprising the steps of:

(a) obtaining, by a service provider from a financier, a loan having a principal value for a defined term, wherein the loan is secured by the equity in the retiree's home;

5 (b) periodically paying, by the service provider to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;

(c) paying, by the service provider to the retiree, the periodic payments;

(d) charging the retiree by the service provider, in regard to each said periodic
10 payment, a simple interest charge comprising a charge equal to a second fixed proportion of said each said periodic payment;

(e) the service provider investing a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the simple interest payments to the financier in the step (b) and the
15 periodic payments to the retiree in the step (c) and the simple interest charges paid by the retiree in the step (d); and

(f) repaying, by the retiree to the financier at the end of the term, the principal of the loan.

20 14. A system for generating, for a retiree, periodic payments secured by equity in the retiree's home, the system comprising:

(a) means for obtaining, by a service provider from a financier, a loan having a principal value for a defined term, wherein the loan is secured by the equity in the retiree's home;

(b) means for periodically paying, by the service provider to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;

(c) means for paying, by the service provider to the retiree, the periodic
5 payments;

(d) means for charging the retiree by the service provider, in regard to each said periodic payment, a simple interest charge comprising a charge equal to a second fixed proportion of said each said periodic payment;

(e) means by which the service provider invests a residual of the loan, in an
10 investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being dependent upon the simple interest payments to the financier in the step (b) and the periodic payments to the retiree in the step (c) and the simple interest charges paid by the retiree in the step (d); and

(f) means for repaying, by the retiree to the financier at the end of the term, the
15 principal of the loan.

15. A computer program product having a computer readable medium having at least one computer program module recorded therein for directing at least one processor to implement a method of generating, for a retiree, periodic payments secured by equity in
20 the retirees home, the at least one program module comprising:

(a) code for for obtaining, by a service provider from a financier, a loan having a principal value for a defined term, wherein the loan is secured by the equity in the retiree's home;

(b) code for periodically paying, by the service provider to the financier over the term, a simple interest repayment comprising a payment equal to a first fixed proportion of said principal value;

(c) code for paying, by the service provider to the retiree, the periodic payments;

5 (d) code for charging the retiree by the service provider, in regard to each said periodic payment, a simple interest charge comprising a charge equal to a second fixed proportion of said each said periodic payment;

(e) code for investing a residual of the loan, in an investment vehicle yielding a return at a compound rate on said residual of the loan, said residual of the loan being
10 dependent upon the simple interest payments to the financier in the step (b) and the periodic payments to the retiree in the step (c) and the simple interest charges paid by the retiree in the step (d); and

(f) code for repaying, by the retiree to the financier at the end of the term, the principal of the loan.

15

16. A method of generating, for a person, periodic payments secured by equity in property of the person, substantially as described herein with reference to accompanying Figs. 3-4.

20 17. A system for generating, for a person, periodic payments secured by equity in property of the person, substantially as described herein with reference to accompanying Figs. 3-4.

18. A computer program product having a computer readable medium having at least
25 one computer program module recorded therein for directing at least one processor to

implement a method of generating, for a person, periodic payments secured by equity in property of the person, substantially as described herein with reference to accompanying Figs. 3-4.

5

DATED this 24th Day of August 2004

HOME-RETIRE PTY LTD.

Patent Attorneys for the Applicant

SPRUSON&FERGUSON

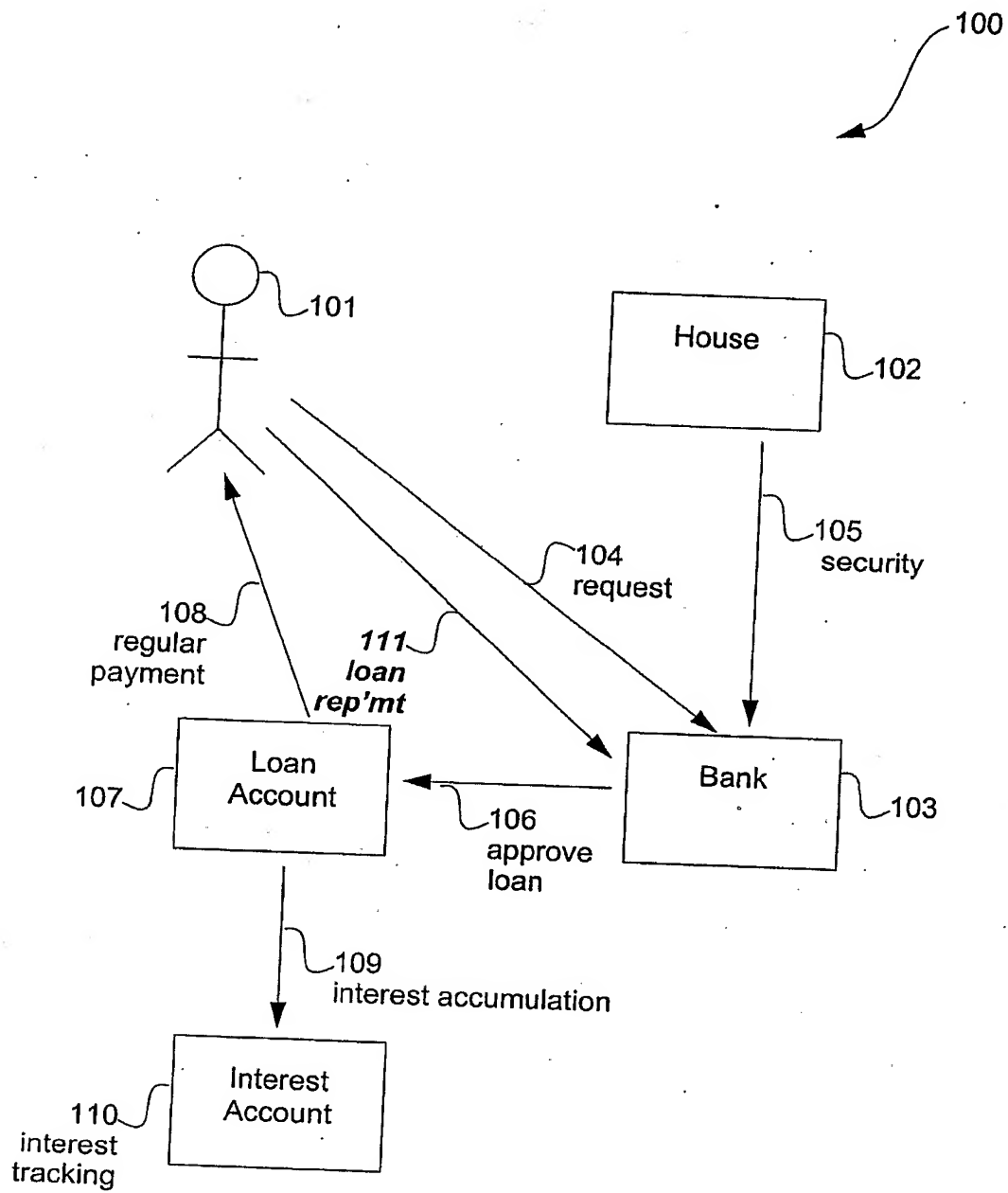


Fig. 1
prior art

	A	B	C	D	E	F
1	Reverse Mortgage Arrangement					
2	value of property	\$1,000,000.00				
3	amount of loan	\$450,000.00				
4	interest	8.95%	Amount to be repaid (Retiree > bank) after 15 yrs			
5	loan term	15	\$955,899.24			
6	annual payment	\$30,000.00				
7						
8	year	payment	capital owed	interest owed	total owed	
9	1	\$30,000.00	\$30,000.00	\$2,685.00	\$32,685.00	
10	2	\$30,000.00	\$60,000.00	\$5,610.31	\$68,295.31	
11	3	\$30,000.00	\$90,000.00	\$8,797.43	\$107,092.74	
12	4	\$30,000.00	\$120,000.00	\$12,269.80	\$149,362.54	
13	5	\$30,000.00	\$150,000.00	\$16,052.95	\$195,415.48	
14	6	\$30,000.00	\$180,000.00	\$20,174.69	\$245,590.17	
15	7	\$30,000.00	\$210,000.00	\$24,665.32	\$300,255.49	
16	8	\$30,000.00	\$240,000.00	\$29,557.87	\$359,813.36	
17	9	\$30,000.00	\$270,000.00	\$34,888.30	\$424,701.65	
18	10	\$30,000.00	\$300,000.00	\$40,695.80	\$495,397.45	
19	11	\$30,000.00	\$330,000.00	\$47,023.07	\$572,420.52	
20	12	\$30,000.00	\$360,000.00	\$53,916.64	\$656,337.16	
21	13	\$30,000.00	\$390,000.00	\$61,427.18	\$747,764.33	
22	14	\$30,000.00	\$420,000.00	\$69,609.91	\$847,374.24	
23	15	\$30,000.00	\$450,000.00	\$78,524.99	\$955,899.24	

Fig. 2
prior art

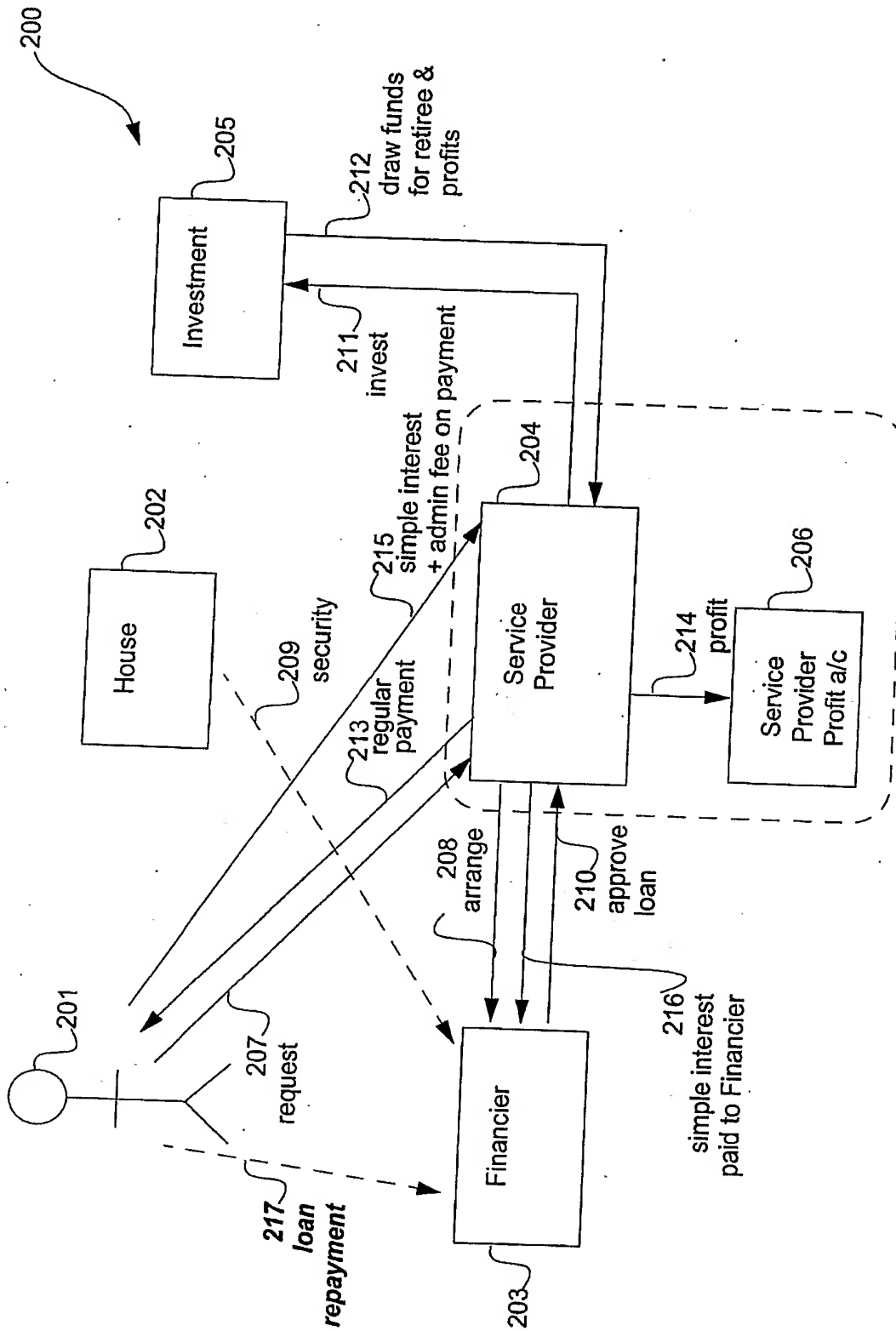


Fig. 3

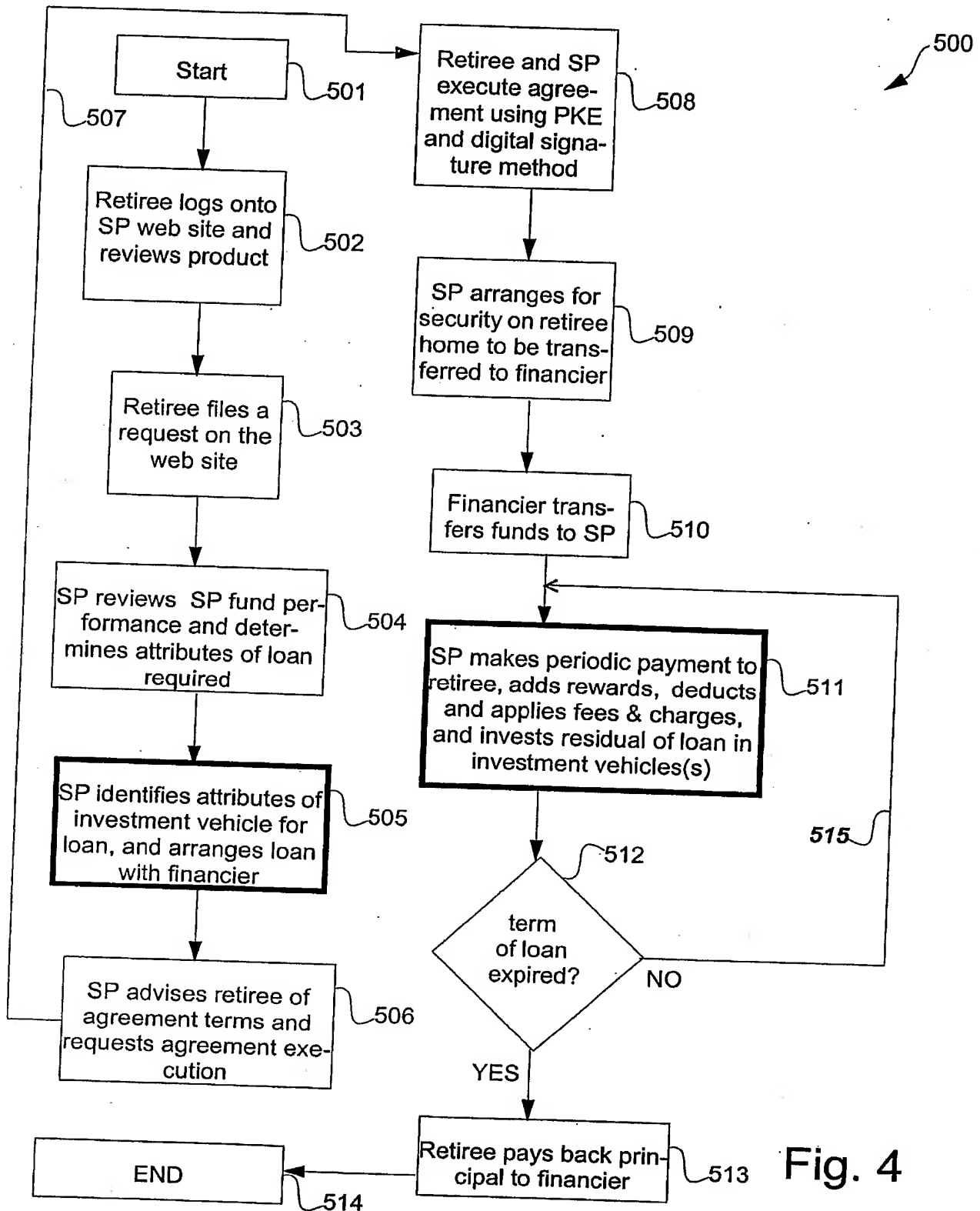


Fig. 4

5/6

	A	B	C	D	E	F	G	H
1	Retirement Annuity Arrangement							
2	value of property	\$1,000,000.00						
3	amount of loan	\$450,000.00						
4	interest (SP > Financier)	4.67%						
5	interest (Retiree > SP)	8.95%						
6	interest (Money Market > SP)	8.95%						
7	admin charge (Retiree > SP)	0.20%						
8	loan term (term)	15						
9	annual payment	\$32,987.00						
10	year							
11		1	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$398,950.34	\$35,706.06
12		2	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$383,606.73	\$34,332.80
13		3	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$366,889.87	\$32,836.64
14		4	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$348,676.85	\$31,206.58
15		5	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$328,833.76	\$29,430.62
16		6	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$307,214.72	\$27,495.72
17		7	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$283,660.77	\$25,387.64
18		8	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$257,998.75	\$23,090.89
19		9	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$230,039.97	\$20,588.58
20		10	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$199,578.89	\$17,862.31
21		11	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$166,391.53	\$14,892.04
22		12	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$130,233.91	\$11,655.94
23		13	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$90,840.18	\$8,130.20
24		14	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$47,920.72	\$4,288.90
25		15	\$32,987.00	\$2,952.34	\$65.97	\$29,968.69	\$1,159.96	\$103.82

Fig. 5

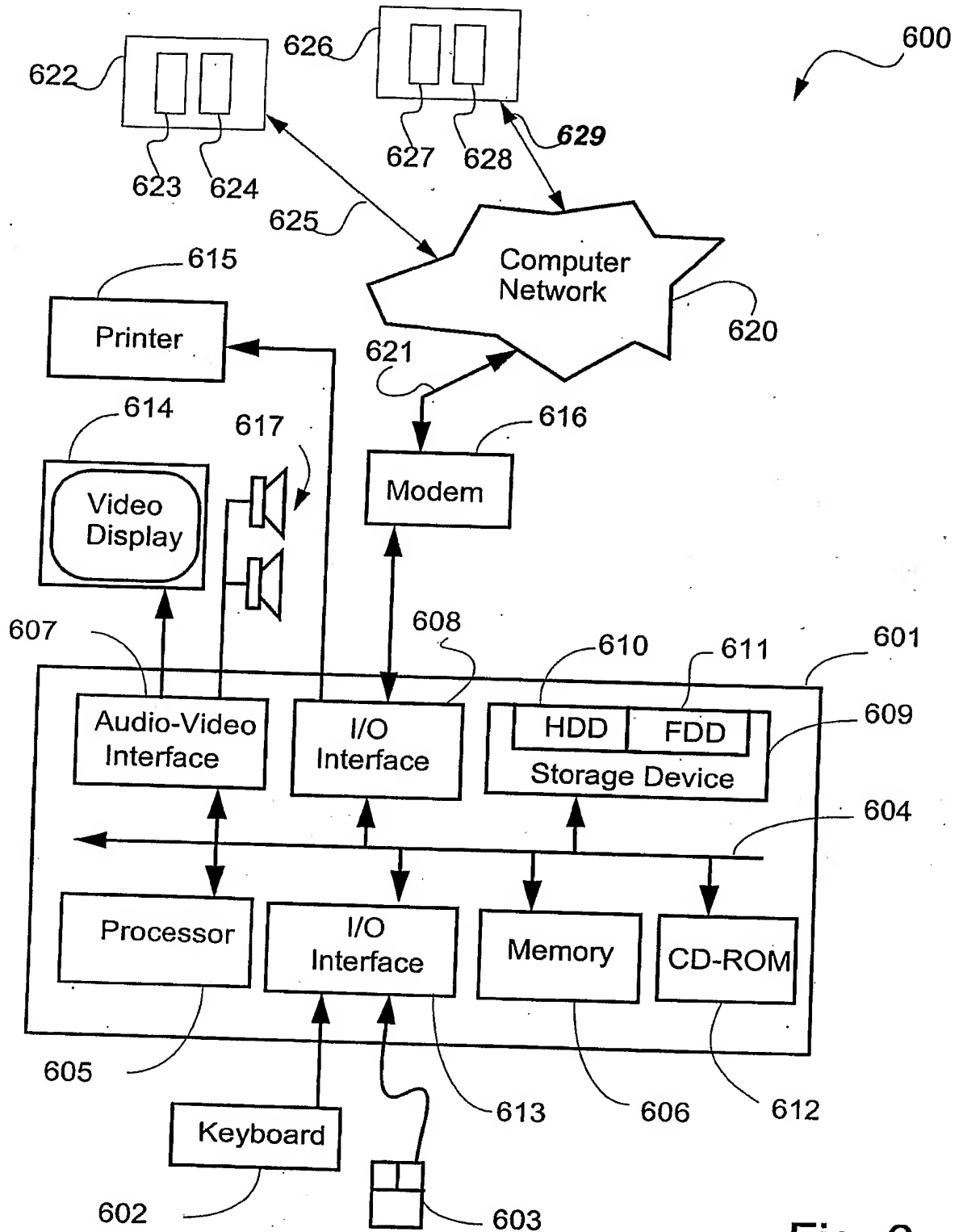


Fig. 6